



# TÜRMOB

TÜRKİYE SERBEST MUHASEBECİ MALİ MÜŞAVİRLER  
VE YEMİNLİ MALİ MÜŞAVİRLER ODALARI BİRLİĞİ  
(UNION OF CHAMBERS OF CERTIFIED PUBLIC ACCOUNTANTS OF TURKEY)

January 12, 2021

Ankara

**Mr. Tom Seidenstein**  
**Chair, IAASB**  
529 5th Avenue  
New York, New York 10017

**Re: Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit**

Dear Mr. Tom Seidenstein,

TÜRMOB (Union of Chambers of Certified Public Accountants of Turkey) would like to submit its comments to you about Consultation Paper on Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit published on September 2020.

Firstly, we want to give information about us shortly. TÜRMOB, the Union of Chambers of Certified Public Accountants of Turkey, is the national professional body with the sole authority to award professional license. TÜRMOB was founded in 1989 with the Law on Certified Public Accountancy and Sworn-in Certified Public Accountancy numbered 3568. TÜRMOB is the largest and fastest-growing national professional organization for professional accountants with over 117.541 members and more than 20.000 aspiring professional accountants in Turkey.

TURMOB is a full member of IFAC since 1999 and has members in IFAC Board and PAIBC.

Regarding Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit, we also want to share our views.

We hope that you are assessing as useful the mentioned all responses.

If you have any further questions, please do not hesitate to contact Mrs. Seher Gundogdu at [international@turmob.org.tr](mailto:international@turmob.org.tr)

Sincerely,

**Yahya Arıkan**  
**General Secretary**

**Emre Kartaloğlu**  
**President**



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TÜRMOB's responses to your questions about Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit:

## 1. In regard to the expectation gap (see Section I):

- a) What do you think is the main cause of the expectation gap relating to fraud and going concern in an audit of financial statements?

Lack of sufficient understanding of the scope and purpose of an audit of financial statements, and the extent of responsibilities of the auditor regarding fraud and going concern while conducting an audit and issuing an auditors' opinion.

- b) In your view, what could be done, by the IAASB and / or others (please specify), to narrow the expectation gap related to fraud and going concern in an audit of financial statements?

IAASB together with IFAC, IASB, professional accountancy organizations and their groupings such as Accountancy Europe, and the regulator communities should coherently communicate and demonstrate the extent of responsibility of the auditor as well as the responsibility of other parties such as companies' management, audit committees and relevant governmental agencies.

## 2. This paper sets out the auditor's current requirements in relation to fraud in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this (see Sections II and IV). In your view:

- a) Should the auditor have enhanced or more requirements with regard to fraud in an audit of financial statements? If yes, in what areas?

The principles and requirements set forth in ISAs are sufficient to address detection of fraud within the context of providing reasonable assurance to the financial statements. Still, IAASB can issue guides for auditors to improve the applications of ISAs with regard to fraud in audit of financial statements.



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b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:

i. For what types of entities or in what circumstances?

There may be need for enhanced procedures for public interest entities or entities operating in regulated sectors

ii. What enhancements are needed?

For the above mentioned type of entities, sectoral or oversight regulators may require additional assurance with regard to fraud based on the specific circumstances nationally

iii. Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

Given the national, sectoral and regulatory differences, changes should not be made within the ISAs rather, any additional assurance requirements for fraud and forensic purposes (beyond financial statements) should be under the scope of ISRSs, ISREs and ISAES.

c) Would requiring a “suspicious mindset” contribute to enhanced fraud identification when planning and performing the audit? Why or why not?

i. Should the IAASB enhance the auditor’s considerations around fraud to include a “suspicious mindset”? If yes, for all audits or only in some circumstances?

An auditor should exercise professional skepticism throughout the audit. If the auditor conclude that a “suspicious mindset” beyond professional skepticism is required, the work of a forensic expert (as per ISA 620) should be used.

d) Do you believe more transparency is needed about the auditor’s work in relation to fraud in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g. in communications with those charged with governance, in the auditor’s report, etc.)?

Yes. Recently, the revisions made by IAASB in ISAs and other standards significantly increased the communicative qualities of auditors’ reports. However, given the expectation gap that still exist, more clarity with regard to how the responsibility of prevention and detection of fraud is shared among various parties (those charged with governance, management, audit committee, auditors etc.) can be



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more directly stated in the auditors' report.

**3. This paper sets out the auditor's current requirements in relation to going concern in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this (see Sections III and IV). In your view:**

- a) Should the auditor have enhanced or more requirements with regard to going concern in an audit of financial statements? If yes, in what areas?

Yes. In assessing the assumptions and evaluation of the management regarding going concern.

- b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:

Yes.

- i. For what types of entities or in what circumstances?

If the business cycle of the entity is longer than twelve months, the going concern assessment should be extended the cover of period.

- ii. What enhancements are needed?

If the business cycle of the entity is longer than twelve months, the going concern assessment should be extended the cover than period. Disclosures should provide sufficient information regarding the business cycle of the entity and all the relevant assumptions for business continuity.

- iii. Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

These changes should be made within the ISAs

- c) Do you believe more transparency is needed?

- i. About the auditor's work in relation to going concern in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g., in communications with those charged with governance, in the auditor's report, etc.)?

Yes. Auditor can provide more detailed information regarding the audit work done for assessing management claims for going concern possibly, in key audit matter.

- ii. About going concern, outside of the auditor's work relating to going



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concern? If yes, what further information should be provided, where should this information be provided, and what action is required to put this into effect?

Management has the most relevant information to assess the entity's future performance, and a robust and balanced assessment of the entity's ability to continue as a going concern by management, and disclosure of any uncertainties, provides the foundation for the auditor's procedures. Requirement for disclosure should be enhanced.

#### **4. Are there any other matters the IAASB should consider as it progresses its work on fraud and going concern in an audit of financial statements?**

IAASB should be aware of national and regional regulations. However, it is not possible to cover or address all individual/specific conditions. Therefore, ISAs, in general, should stay principle-based (adaptable and flexible) including matters relating to fraud and going concern, for entities of all sizes and nature.